



# **Internal Audit Report**

Justice Court Services  
April 2002



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# Internal Audit Department

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April 12, 2002

Don Stapley, Chairman, Board of Supervisors  
Fulton Brock, Supervisor, District I  
Andrew Kunasek, Supervisor, District III  
Max W. Wilson, Supervisor, District IV  
Mary Rose Wilcox, Supervisor, District V

We have completed our FY 2001-02 review of Justice Court Services (JCS). The audit was performed in accordance with the annual audit plan that was approved by the Board of Supervisors. The highlights of this report include the following:

- Justice court generated revenue apportionment formulas established and utilized by JCS comply with statutory mandates and Arizona Supreme Court requirements.
- The effectiveness of the JCS fines management program could be improved through training and consistency. Fines managers utilize differing methods to manage receivables and do not take advantage of all tools available. JCS should develop formal fines management policies and procedures, and train fines managers to ensure consistency among the 23 justice courts.
- Our analysis of the JCS contracted external collection program found no significant exceptions and showed that the collection performance among the two agencies is comparable.
- Control weaknesses exist that may allow unauthorized program changes to Court systems. The programmer who maintains the system has no backup.

Attached are the report summary, detailed findings, recommendations, and JCS management's response. We have reviewed this information with the JCS Administrator/Director and appreciate the excellent cooperation provided. If you have questions, or wish to discuss items presented in this report, please contact Joe Seratte at 506-6092.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate  
County Auditor

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# Executive Summary

## **Revenue Apportionment** Page 6

Justice Court Services (JCS) accurately distributes court fines and fees to appropriate County and State-level funds. Automated testing of court revenue found that JCS processes fines and fee transactions in accordance with ARS mandates and Arizona Supreme Court requirements.

## **Fines Management** Page 7

JCS could increase the effectiveness of the fines management program by providing training and standardizing practices of its fines managers. Currently court fines managers use different methods in managing receivables and do not take advantage of all tools available. JCS should formally establish, and train fines managers in, policies and procedures to ensure effective fines management efforts among justice courts.

## **Contracted Collections** Page 9

Contracted collection agencies have recovered an average of 13.5 percent of delinquent accounts over the past two years. The agencies adequately address accounts under management regardless of the age or dollar value. Achievements of both contracted agencies are very similar in all aspects of collection performance. JCS should regularly monitor the collection agencies' performance.

## **Program Changes** Page 12

Control weaknesses exist that may allow unauthorized program changes to Court systems. No authorization or documentation exists to support one of the three program changes we reviewed. In addition, there is no backup for the programmer to maintain Court systems. Without proper controls, processing irregularities or malicious code could be introduced resulting in fraud, data integrity concerns, and/or system downtime. JCS should ensure that adequate controls exist over program changes.

## **Disaster Recovery** Page 13

A Year 2000 Contingency Plan was prepared in December 1999. However, the plan is not complete and it has not been updated according to plans. JCS does not have assurance that the office can recover its systems timely in the event of an extended outage or disaster situation. JCS should update and complete the current Year 2000 Contingency Plan and test the plan periodically.

# Introduction

## Background

The office of the Justice of the Peace is established in Article 6 § 32 of the Arizona Constitution. Justice Court operations are authorized through various statutes, including:

- Arizona Revised Statutes (ARS) 22-101 through 125: Justice Precincts and Precinct Officers.
- ARS 22-201 through 283: Civil Proceedings in Justice Courts.
- ARS 22-375: Criminal Proceedings in Justice Courts.

Maricopa County Justice Courts Services (JCS) was established by a Superior Court Administrative Order in 1987. The office serves to support Justice Courts' day-to-day operations. Administrative Order 94-030 empowered the Justice Court Administrator, in cooperation with the Presiding Justice of the Peace and Presiding Judge of the Superior Court, to administer Justice Courts' non-judicial functions.

JCS is authorized 28 positions for fiscal year (FY) 2002, which are organized under and report to the Justice Courts Administrator. The JC Administrator reports to Presiding Judge of the Superior Court and the Presiding Justice of the Peace. Most of the positions are dedicated to administrative functions that support Maricopa County's 23 Justice Courts, such as:

- Human Resources.
- Court Security.
- Facilities Management.
- Information Technology.
- Budget and Accounting.
- Purchasing.
- Training.

## Justice Court Revenues

Total revenue collected by the County's Justice Courts has remained stable over the past three fiscal years, showing a net increase of 2.7 percent. The table on the following page shows that Fines and Forfeitures account for \$9.4 million (72%) of revenue. Fees account for the next largest segment, totaling \$2.8 million (21%) of revenue. In addition to collecting County revenues, JCS also processes monies belonging to the State and victim restitution payments. Total monies processed annually by JCS are in excess of \$22 million.

## JUSTICE COURT REVENUE COMPARISON FY 1999 to FY 2001

Description	FY1999	FY 2000	FY 2001
Grants	197,339	75,393	204,766
Intergovernmental	710,396	1,002,444	517,867
Fees	2,509,008	2,595,750	2,787,382
Fines & Forfeits	9,243,379	9,745,690	9,434,695
Misc. Revenue	137,899	198,180	222,846
<b>Total:</b>	<b>\$ 12,798,021</b>	<b>\$ 13,617,457</b>	<b>\$ 13,167,556</b>

Source: Advantage 2.0.

### Organizational Impact

JCS is an administrative oversight function, assisting the Justice Courts by providing leadership and consistency to daily operations. JCS has the greatest impact for the County through allocating, managing, and collecting the \$13 million of fines and fees that flow through the justice court system each year. The office's functions are most impacted by the:

- Information Systems Unit.
- Fines Management Program.
- External Collections Agencies.

JCS also has a positive impact on the public by providing training to their clients and helping ensure a safe environment for citizens.

### Fines Management Program

Each justice court employs a fines manager to determine defendants' ability to pay imposed fines. Successful management of time payment plans established by fines managers is key to completing the justice court business cycle.

Currently \$41 million in receivables are under management by justice court fines managers and external collection agencies. Receivables have increased from \$23 million in FY 1997 to the current level, an \$18 million (78%) increase.

### Contracted Collections

Using an existing Superior Court contract, JCS engaged two external agencies to collect delinquent fines and fees. Delinquent cases are given to the collection agencies only after fines managers have exhausted all attempts to collect the debt. Collection agencies add a 28 percent charge to amounts due as their fee. This procedure provides the County with a potential 100 percent recovery of outstanding debt due.

The external collections program has been in operation for about two years. During that time, the agencies have collected \$4.3 million in

delinquent fines and fees. Currently, almost \$32 million are under management by external collectors.

### **Scope and Methodology**

Our audit objectives were to determine the:

- Accuracy of JCS apportionment of court generated revenues.
- Effectiveness of the justice courts internal fines management program.
- Adequacy of external collections efforts.
- Value of alternatives to current collection practices.

This audit was performed in accordance with Government Auditing Standards.

### **Enhancing Collections**

Through research and benchmarking, Internal Audit identified ideas and alternatives to improve the collection process. The alternatives were discussed with JCS for consideration and potential integration into the office's collection procedures. The ideas include:

- Establish guidelines for using garnishments as a collection tool.
- Encourage or require substantial down payment on time-payment plans.
- Develop write-off policy in conjunction with Department of Finance for smaller and older cases.



# Department Reported Accomplishments

Justice Court Services provided the following information to Internal Audit Department for inclusion in this report.

## JUSTICE COURT ACCOMPLISHMENTS

### CASE PROCESSING:

- Participating with Superior Court in processing felony cases at three regional centers, the first which began in a justice court facility, moving to the East Court Building when more courts and cases were added.
- Developing case processing time standards, to process cases in a more timely fashion.

### PUBLIC SERVICE:

- Implemented a program to compensate proficient bilingual clerks, to better assist the justice courts' Spanish speaking customers.
- Continue to recruit and utilize volunteers from the community to assist justice courts in providing services.
- Continue to develop educational programs for the public to inform them of the services provided by the justice courts, including updating the web site, newsletter, annual report, mini self-service centers, speakers bureau.
- Enhanced access to the justice courts' automated system by providing remote filing capabilities to the County Attorney, provided daily faxed calendars to MCSO, provided court calendars to county agencies and the public on the web site, and provided all staff with PC devices to enhance their efficiency.

### OTHER:

- Developed Facilities Guidelines to assist in designing standardized facilities.
- Developed a recruitment and training program for new employees to provide better service to the public.
- Coordinated with various County departments and the private sector to design and build or remodel several justice court facilities.

# Issue 1 Revenue Apportionment

## Summary

JCS accurately distributes court fines and fees to appropriate County and State-level funds. Automated testing of court revenue found that JCS processes fines and fee transactions in accordance with ARS mandates and Arizona Supreme Court requirements.

## Revenue Apportionment

The millions of dollars assessed by the justice courts each year are apportioned to various funds at the County and State levels. The apportionment is directed by statute and distributes monies to fund programs such as:

- Criminal Justice Enhancement.
- Fill the Gap.
- Medical Services Enhancement.
- Clean Elections.

JCS is responsible for interpreting new laws, and ensuring that the office's information systems distribute revenues correctly.

## Automated Apportionment Testing

A small percentage error in revenue apportionment could have significant impact on County revenues. Internal Audit used computer-assisted auditing techniques to analyze 250,500 court cases (totaling \$8.8 million) from FY 2001.

We identified fines generating the highest revenue and then selected ten of the largest for testing. Our sample included 164,027 cases (\$6.4 million) representing 65 percent of the total fines, surcharges, and court fees processed that year.

## Test Results

Our testing found no errors in JCS apportionment of justice court revenues. The test results indicate that revenues are distributed in accordance with ARS mandates and Arizona Supreme Court requirements.

## Recommendation

None, for information purposes only.

# Issue 2 Fines Management Program

## Summary

JCS could increase the effectiveness of the fines management program by providing training and standardizing practices of its fines managers. Currently court fines managers use different methods in managing receivables and do not take advantage of all tools available. JCS should formally establish, and train fines managers in, policies and procedures to ensure effective fines management efforts among justice courts.

## Fines Management Activities

Justice court receivables have increased from \$23 million in FY 1997 to \$41 million today, an \$18 million (78 per cent) increase in four years. JCS reports that the increase is caused by:

- Higher volume of cases.
- Increasing delinquent accounts.
- More defendants who fail to appear for trial.
- Inability to write off uncollectable debts.

Defendants who cannot pay their fine are referred to fines managers that are employed by each court. Fines managers evaluate, establish, and manage defendant payment plans. Each payment plan created is assessed a \$20 processing fee. The following resources available to fines managers appear to be used inconsistently.

## Credit Checks

Fines managers may perform a credit check on time payment applicants. These checks can identify credit available for immediate payment and help evaluate the defendant's credit history. Our work found that fines managers seldom pull applicants' credit history. Some fines managers lack sufficient training to effectively utilize the process.

## MVD Reporting

Defendants who do not honor their payment plan are placed on default status and the Arizona Motor Vehicle Division (MVD) is notified to suspend the defendants' driver's license. This action is an important incentive for defendants to pay fines.

We used the MVD system to test 50 default cases and found:

- Licenses correctly suspended: 40 cases.
- No MVD match found: 8 cases.
- Licenses not suspended in error: 2 cases.

Therefore 40 out of a possible 42 suspensions, or 95%, were appropriately in place.

## **Credit Reporting**

Credit reporting can be an effective debt collection tool and should be used, when possible, to increase the effectiveness of fines managers' collection efforts. JCS procedures call for delinquent accounts to be reported when 60 days past due.

To determine how well JCS fines managers utilize credit reporting, as a tool, we reviewed 50 delinquent accounts. Our test results are summarized below:

- Credit reporting could not be used in 38 cases because of incomplete Social Security Numbers.
- Delinquent accounts were correctly reported in 10 cases.
- Delinquent accounts were not reported in 2 cases.

The two exceptions, out of twelve possible cases, represents a 17 percent error rate. During personal interviews, the fines managers indicated misunderstandings when discussing credit reporting responsibilities. Some described credit reporting as the responsibility of the fines managers themselves, JCS, and external collection agencies.

Fines management policies and procedures vary among justice courts and the resources available to fines managers do not appear to be consistently used. We also found that oversight of the credit approval/reporting process is not adequate and fees charged, to establish payment plans, are not applied consistently.

## **Recommendations**

JCS should consider:

- A. Developing a fines management program of "best practices" policies and procedures.
- B. Submitting proposed policies and procedures to the Presiding Justice of the Peace and the Presiding Judge of the Superior Court for approval.
- C. Developing a training program for educating fines managers on uniform collections and fines management policies and procedures.

## Issue 3 Contracted Collections

### Summary

Contracted collection agencies have recovered an average of 13.5 percent of delinquent accounts over the past two years. The agencies adequately address accounts under management regardless of the age or dollar value. Achievements of both contracted agencies are very similar in all aspects of collection performance. JCS should regularly monitor the collection agencies' performance.

### External Collections

The justice court collections program has been in operation for two years. JCS utilizes two outside collection agencies – SCB Associates and GC Services. Both agencies are used equally and are assigned delinquent accounts on a last name basis (A-L and M-Z).

Delinquent cases are forwarded to the agencies only after justice court fines managers have attempted to collect the debts. Cases are generally transferred at 60 days delinquent, if no payments have been received.

### Collection Benchmarking

Benchmarking key measures is an effective way to evaluate performance. However, we did not find enough specific data from other government units in order to build a benchmark. Comparing the agencies' performance to justice court fines managers' collection performance would not be a fair representation, as the agencies receive delinquent accounts only after fines managers have unsuccessfully attempted to collect the debt.

Examining the performance of the two outside agencies provides the best indicator of collection performance available. The chart below represents agency activities since the inception of the contract.

AGENCY	SCB ASSOCIATES	GC SERVICES
NUMBER OF ACCOUNTS	73,611	66,136
TOTAL \$\$ MANAGED	\$16,854,000	\$15,210,000
AVERAGE ACCOUNT VALUE	\$229	\$230
\$\$ COLLECTED	\$2,275,000	\$2,034,000
% COLLECTED	13.5%	13.4%

Both agencies have equal opportunities to achieve results with the delinquent accounts provided them. As the preceding table shows, their accounts are similar in the following ways:

- Total number.
- Total dollar value.
- Average age.
- Average dollar value.

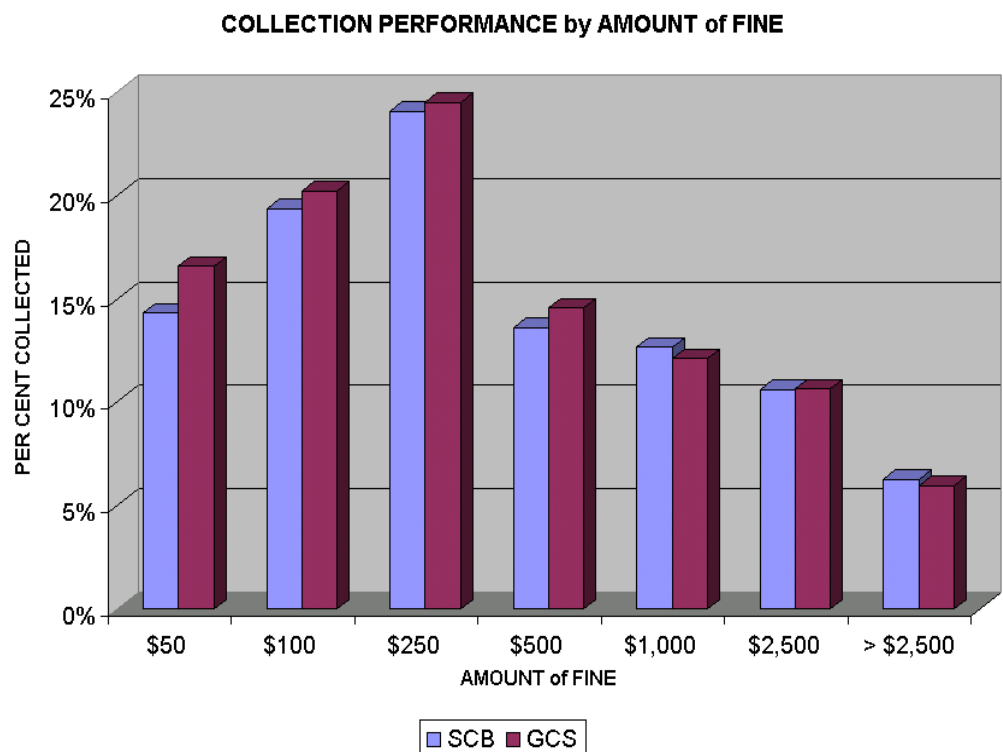
The two agencies collection performance is comparable with collection rates of 13.5 percent and 13.4 percent, respectively.

### Further Collection Analysis

Effective collections reduce County receivables and increase County revenue. To help determine how well the agencies collect delinquent accounts, we used computer-assisted auditing techniques to analyze 139,800 delinquent accounts totaling over \$32 million. These are accounts assigned to the agencies since the beginning of the contract. The graphs on this and the following page compares the performance of the two agencies.

### Small-Dollar Fines

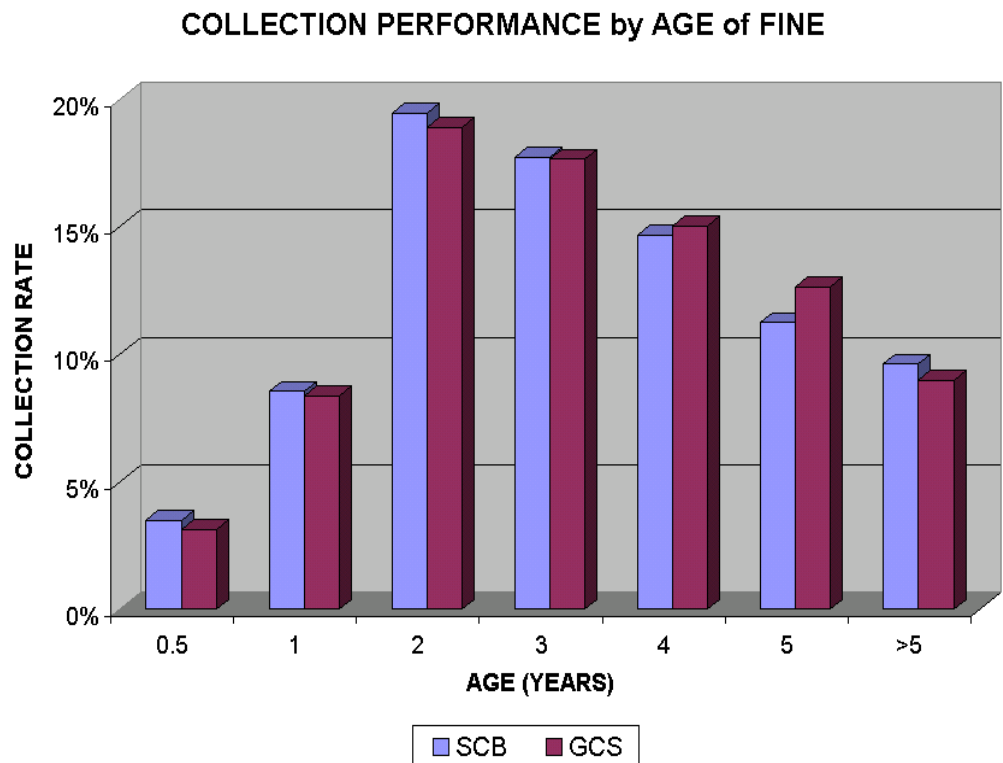
To ensure agencies are working small-dollar fines as well as larger ones, we analyzed collection rates based on the amount of the fine. The graph below indicates the agencies are not ignoring smaller fines, and are addressing them adequately. In addition, the graph shows the performance of the two agencies is comparable and is, in fact, very close.



## Aged Receivables

To determine if the agencies are focusing on newer receivables and not giving adequate attention to delinquencies older than two years, we analyzed collections based on the age of the fine. The graph below shows that, as expected, collection rates decline with the age of the receivable. The rate of decline is in line with expectations and indicates the agencies are giving adequate attention to delinquent accounts, regardless of age. Like the dollar-value analysis, the graph indicates the performance of the two agencies is comparable and is, in fact, very close.

Both agencies provide consistent results for accounts under their management regardless of age or dollar value. The modest collection rate for accounts less than one year old is attributable to: A) Delays in transferring accounts from fines managers to the agencies and, B) Many accounts were significantly aged when transferred to the agencies at the start of the contract.



## Recommendation

JCS should monitor and evaluate the agencies' performance (13.5% collection rate) in relation to court expectations and alternatives, such as in-house collections.

## Issue 4 Program Changes

<b>Summary</b>	Control weaknesses exist that may allow unauthorized program changes to Court systems. No authorization or documentation exists to support one of the three program changes we reviewed. In addition, there is no backup for the programmer to maintain Court systems. Without proper controls, processing irregularities or malicious code could be introduced resulting in fraud, data integrity concerns, and/or system downtime. JCS should ensure that adequate controls exist over program changes.
<b>Best Practices</b>	<p>Policies and procedures should be developed that detail who can authorize a modification and how these authorizations are to be documented. The use of standardized change request forms helps to ensure that requests are clearly communicated and that approvals are documented.</p> <p>Authorization documentation should be maintained in case questions arise regarding why or when system modifications are made. Cross-training for key information technology positions/functions should be done to ensure adequate backup and continued operations.</p>
<b>Weaknesses</b>	<p>Formal documented policies and procedures do not exist. We examined three program changes made during 2001 to determine that the changes were properly authorized, tested, and approved for the production (live) environment. No authorization or documentation exists to support one of the three program changes that we reviewed.</p> <p>In addition, only one programmer is assigned to maintain both JCS's Court and Fines Management systems. No one is trained to serve as backup for this employee.</p>
<b>Overall Impact</b>	Without proper controls, processing irregularities or malicious code could be introduced resulting in fraud, data integrity concerns, and/or system downtime. The small shop environment has led to informal procedures and lack of controls.
<b>Recommendation</b>	JCS should ensure that adequate controls exist over program changes.



# Issue 5 Disaster Recovery Plan

## Summary

A Year 2000 Contingency Plan was prepared in December 1999. However, the plan is not complete and it has not been updated according to plans. JCS does not have assurance that the office can recover its systems timely in the event of an extended outage or disaster situation. JCS should update and complete the current Year 2000 Contingency Plan and test the plan periodically.

## Best Practice

Losing the capability to process, retrieve, and protect information maintained electronically can significantly affect an agency's ability to accomplish its mission. For this reason, an agency should develop (1) procedures to protect information resources and minimize the risk of unplanned interruptions and (2) a plan to recover critical applications should interruptions occur.

A Year 2000 Contingency Plan was prepared in December 1999. A consultant was hired to develop the plan in such a format as to facilitate the future preparation of a comprehensive, enterprise-wide business continuity plan. However, the plan has not been updated or tested.

## Business Risk

If controls are inadequate, even relatively minor interruptions can result in lost or incorrectly processed data, which can cause financial losses, expensive recovery efforts, and inaccurate or incomplete financial or management information. This has not been a priority for management.

## Recommendation

JCS should:

- A. Update and complete the current Year 2000 Contingency Plan.
- B. Test the plan periodically and update the plan as needed.

## **Department Response**

## **Issue 2**

## **Fines Management Program**

### **Recommendation:**

A. Developing a fines management program of "best practices" policies and procedures.

### **Response:**

Concur. We are currently reviewing several different collection philosophies as practiced by various courts, to determine if there is one best model. Additionally, we are planning on reviewing all collection procedures to ensure standardization among the courts, staff, and collectors. This will be incorporated into a policies and procedural manual.

### **Recommendation:**

B. Submitting proposed policies and procedures to the Presiding Justice of the Peace and the Presiding Judge of the Superior Court for approval.

### **Response:**

Concur. The Presiding Justice of the Peace is working with a committee he proposed and Justice Court Services to develop the "best practices." The Presiding Judge of Superior Court is also aware of the work in this area. When these "best practices" have been identified, they will be presented to the Justice Court Bench for discussion and approval.

### **Recommendation:**

C. Developing a training program for educating fines managers on uniform collections and fines management policies and procedures.

### **Response:**

Concur. We plan on developing training for newly hired fines managers using the policy and procedures manual and include mentoring by a seasoned fines manager. We also mandate all new employees attend a New Employee Orientation which introduces them to courts generally and justice courts in particular. We also provide several classes each year for both fines managers and court staff on collections. We will reinstitute regular meetings for the fines managers to provide them a forum for discussion and continuing education.

### **Target Completion Date:**

These recommendations should be in place no later than December 2002.

### **Benefits/Costs:**

The possible costs of training should be offset by increased collections.

## Issue 3

## Contracted Collections

### Recommendation:

JCS should monitor and evaluate the agencies' performance (13.5% collection rate) in relation to court expectations and alternatives, such as in-house collections.

### Response:

Concur. We think it would also be useful to evaluate collection agencies' performance in other limited jurisdiction courts to determine those collection rates in comparison to the rate for justice courts.

### Target Completion Date:

December 2002

### Benefits/Costs:

Competition among collection agencies could improve collections.

## Issue 4

## Program Changes

### Recommendation:

JCS should ensure that adequate controls exist over program changes.

### Response:

Concur. We recognize and concur with the audit findings that we need better controls and procedures. To that end, we have started working on a policy and procedures to control software changes in the production environment. As part of the process, we have developed a *Software Change Request* form (example attached) and begun a log of all programming changes that are put "live". JCS Automation has already started using these new documents and we are refining and honing the process.

### Target Completion Date:

May, 2002

### Benefits/Costs:

The use of a formal written policy to control programming changes in the production environment will reduce the risk of inappropriate or inadvertent changes to the court application that could have adverse effects on the production environment.

# Software Change Request

Date: \_\_\_\_\_

Name of Submitter: \_\_\_\_\_ Department: \_\_\_\_\_

Phone number: \_\_\_\_\_

Name of Requestor if different than Submitter: \_\_\_\_\_

Department: \_\_\_\_\_

Phone number: \_\_\_\_\_

New Program ☐

Or

Modification to existing program ☐

Mandate ☐

Or

User Request ☐

Project/Objective:

Reason for change:

Module Affected:

Details of Software change Request:

\_\_\_\_\_ Date \_\_\_\_\_

Requestor's Signature

\_\_\_\_\_

Completed:

\_\_\_\_\_ Date \_\_\_\_\_

## Issue 5 Disaster Recovery Plan

### Recommendation:

JCS should:

- A. Update and complete the current Year 2000 Contingency Plan.
- B. Test the plan periodically and update the plan as needed.

### Response:

Concur. We agree with the findings that the court needs an up-to-date Disaster Recovery Plan (DRP). The County has begun to look at Disaster Recovery plans for all County departments. Our Year 2000 Plan is extensive and thorough, and can be modified to be used as a general DRP much more easily than starting from the beginning. Also, the various county court departments have started meeting to discuss this issue.

### Target Completion Date:

February, 2003

### Benefits/Costs:


The court is now more reliant on computer systems than it has in the past. By creating a formalized DRP, the court would be better prepared to react in the event of disaster in our data center. Documenting potential disasters and the steps to be taken in their event, would provide a path to recover critical processing needs within a reasonable time period.

Approved By :

  
Justice Court Administrator

  
Date

  
Presiding Justice Court Justice

  
Date

  
Presiding Superior Court Justice

  
Date